

1 Teresa M. Corbin (SBN 132360)
Christopher Kelley (SBN 166608)
2 Thomas C. Mavrakakis (SBN 177927)
HOWREY SIMON ARNOLD & WHITE, LLP
3 301 Ravenswood Avenue
Menlo Park, California 94025
4 Telephone: (650) 463-8100
5 Facsimile: (650) 463-8400

6 Attorneys for Defendants AEROFLEX INC., et al.

7
8 UNITED STATES DISTRICT COURT
9 NORTHERN DISTRICT OF CALIFORNIA
10 SAN FRANCISCO DIVISION

11
12
13 RICOH COMPANY LTD.,

14 Plaintiff,

15 v.

16 AEROFLEX INC., ET AL.,

17 Defendants.

) Case No. CV 03-04669 MJJ
)

) **NOTICE OF MOTION AND MOTION TO**
) **STAY RICOH'S CUSTOMER SUIT AND**
) **MEMORANDUM OF POINTS AND**
) **AUTHORITIES IN SUPPORT THEREOF**
)

) Date: December 16, 2003

) Time: 9:30 a.m.

) Place: Courtroom 11, 19th Floor
)
)

NOTICE OF MOTION AND RELIEF REQUESTED

TO ALL PARTIES AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that on December 12, 2003, at 9:00 A.M., or as soon thereafter as counsel may be heard in Courtroom 7 of the above-entitled Court, defendants Aeroflex Incorporated (“Aeroflex”), AMI Semiconductor, Inc. (“AMI”), Matrox Electronic Systems Ltd. (“Matrox”), Matrox Graphics Inc. (“Matrox Graphics”), Matrox International Corp. (“Matrox Int’l”), and Matrox Tech, Inc. (“Matrox Tech”) (collectively “Delaware defendants”) will seek an order from this Court staying plaintiff Ricoh Company, Ltd.’s (“Rico”) patent infringement action against these customers of Synopsys, Inc. (“Synopsys”). The Delaware defendants’ motion is based on the following memorandum of points and authorities, the Declaration of Erik K. Moller (“Moller Decl.”) and exhibits thereto, all pleadings and papers in the Court’s file, the arguments of counsel, and any additional evidence this Court may consider at the time of the hearing.

The Delaware defendants seek an order from this Court staying the customer suit brought by Rico, which is based solely on its claim that the Delaware defendants’ use of Synopsys’s Design Compiler? software infringes claims 13-20 of United States Patent No. 4,922,432 (the “‘432 patent”), pending the resolution of Synopsys’s action before this Court which seeks a declaratory judgment that the ‘432 patent is invalid and not infringed by the use of Synopsys’s Design Compiler? software.

MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION AND SUMMARY OF ARGUMENT

Earlier this year, Rico brought the instant patent infringement action in the U.S. District Court for the District of Delaware. Rico’s action accuses six of Synopsys’s customers (the Delaware defendants) of infringing Rico’s ‘432 patent based on their use of Synopsys’s Design Compiler? software. Although Synopsys was not named in that action, Synopsys and its Design Compiler? software have always been the real targets of Rico’s action against these Synopsys customers.

Subsequently, Synopsys brought an action in this Court seeking a declaratory judgment that both the ‘432 patent and the related United States Patent No. 5,197,016 (the “‘016 patent”) are invalid and not infringed by the use of Synopsys’s Design Compiler? software. Synopsys filed this

1 declaratory judgment action to, among other things, prevent additional customers from being preyed
2 upon by Ricoh.

3 A little more than a month ago, the Delaware court agreed with the Delaware defendants that
4 Ricoh's infringement action against them was essentially one between Ricoh and Synopsys that would
5 best be litigated in the Northern District of California. *See* Memorandum and Order dated August 29,
6 2003 at 5 (Moller Decl., Exh. A) ("[T]he court concludes that Ricoh's infringement claims against the
7 defendants are fundamentally claims against the ordinary use of Synopsys's Design Compiler.").
8 Significantly, the Delaware court found that "the California court's determination regarding
9 infringement and validity of the '432 patent will efficiently dispose of the infringement issues
10 regarding Synopsys's customers in this case." *See id.* Based on these conclusions, the Delaware court
11 decided to transfer Ricoh's infringement action to this district.

12 Importantly, Ricoh has never identified *any* action taken by any of the Delaware defendants
13 beyond the ordinary use of Synopsys's Design Compiler® software as an act that infringes the '432
14 patent.

15 The Delaware defendants now seek an order from this Court staying this action against
16 Synopsys's customers for the precise reasons that the Delaware Court transferred this action from the
17 Delaware district court; this case is one between Synopsys and Ricoh, and the central issues in this
18 action will be most efficiently litigated between Synopsys and Ricoh in Synopsys' declaratory
19 judgment action, and without the Delaware defendants.

20 **II. STATEMENT OF ISSUES TO BE DECIDED**

21 *Whether this Court should stay the "customer suit" brought by Ricoh for infringement of its*
22 *'432 patent against Synopsys's customers (the Delaware defendants) pending the outcome of*
23 *Synopsys's action seeking a declaratory judgment that the '432 patent and the related '016 patent are*
24 *invalid and the use of Synopsys's Design Compiler? software does not infringe those patents?*

25 Federal Circuit precedent requires that a manufacturer's declaratory judgment suit should be
26 given preference over a patentee's suit against the manufacturer's customers when those customers are
27 being sued for their ordinary use of the manufacturer's products. This means that if the prosecution of
28 the manufacturer's declaratory judgment action advances the major issues (such as patent infringement

1 and patent validity) present in the “customer suit” then the district court may stay that suit pending the
2 outcome of the manufacturer’s declaratory judgment action. Such a stay is warranted even where there
3 are additional issues in the suit against the customers.

4 Here the Delaware court has already concluded that Synopsys’s declaratory judgment action is
5 entitled to preference over Ricoh’s infringement action against Synopsys’s customers when it
6 transferred that customer suit to this district. The Delaware court found that Ricoh’s infringement
7 action was fundamentally one “against the ordinary use of Synopsys’s Design Compiler” and that this
8 Court’s “determination regarding infringement and validity of the ‘432 patent will efficiently dispose
9 of the infringement issues regarding Synopsys’s customers in this case.” Similarly, this Court has also
10 found that Ricoh’s claims against Synopsys’s customers “are necessarily allegations against the
11 primary use of the Design Compiler itself.”

12 Based on these conclusions, staying Ricoh’s customer suit would unquestionably avoid
13 unnecessary and duplicative litigation as well as the prejudice to these customer defendants by such
14 litigation. Equally apparent is the lack of any prejudice to Ricoh from a stay since the threshold issues
15 of validity and infringement in the declaratory judgment action are precisely the same as those in
16 Ricoh’s customer suit. Accordingly, if Ricoh prevails in the declaratory judgment action it has
17 advanced its case on those issues whereas if Synopsys prevails in the declaratory judgment action the
18 customer suit is moot. Given the above findings already made by this Court and the Delaware Court,
19 this Court must now decide whether to exercise its discretion and stay Ricoh’s infringement action
20 against these Synopsys customers pending the outcome of Synopsys’s declaratory judgment action.

21 **III. STATEMENT OF RELEVANT FACTS**

22 In its January 23, 2003 complaint, Ricoh accused each of the Delaware defendants of infringing
23 Ricoh’s ‘432 patent. However, Ricoh’s infringement action targets the ordinary use of Synopsys’s
24 Design Compiler? software. This is demonstrated by the discovery received from Ricoh in this
25 action, the admissions by Ricoh, and the letters sent by Ricoh to other Synopsys customers.

26 First, Ricoh’s Rule 30(b)(6) designee regarding its pre-filing investigation for this action, Mr.
27 Ishijima, testified that the decision to sue each of the defendants was based on information regarding
28 the operation of Synopsys’s Design Compiler? software and the fact that each of the customer

1 defendants were using that software to design integrated circuits. *See* Moller Decl., Exh. B at 47:8-
2 53:1. According to Mr. Ishijima, Ricoh only knew that the Delaware defendants used the Design
3 Compiler? software and did not even consider the specifics of how any of the defendants were using
4 the Design Compiler? software or whether any of them were using any other software or taking any
5 additional steps when designing their integrated circuits. *See id.* Ricoh's decision to bring its
6 infringement action against these six Synopsys customers, therefore, was based solely on their ordinary
7 use of the Design Compiler? software. Thus, the specifics of each of these customers design efforts
8 are simply not material to the infringement question in this case.

9 Second, Ricoh's responses to each of the Delaware defendants' interrogatories also
10 demonstrate that it is the use of Synopsys's Design Compiler software? that is at issue in Ricoh's
11 infringement action against these Synopsys customers. *See* Moller Decl., Exh. C. These
12 interrogatories sought the particular acts forming Ricoh's basis for its infringement action against each
13 of these defendants. *See id.* at 5-8. Ricoh's response, for each of the Delaware defendants, was
14 identical and relied entirely on their ordinary use of the Design Compiler? software:

15 "Ricoh asserts that [defendant] infringes at least claim 13 of the '432 patent based, *inter alia* on
16 the use by [defendant] of Synopsys's Design Compiler for the design of ASIC products. Such
17 use, for example, involves the input to Design Compiler of flowcharts or hardware description
18 languages that describe behavioral aspects of an ASIC under design. Design Compiler is then
19 used to draw on its technology, symbol, DesignWare, and/or other libraries to synthesize the
20 hardware cells to be implemented in the desired ASIC as needed to perform the functions
21 described by a given input description."

19 *Id.* at 6.

20 Ricoh has also admitted to defendant, AMI, that it charged AMI with infringing the '432 patent simply
21 because it uses Synopsys's Design Compiler? software. *See* Moller Decl., Exh. D. Again, this was
22 the only basis identified by Ricoh. *See id.*

23 Not only does the discovery provided by Ricoh and its admissions demonstrate that its
24 infringement action is based on the ordinary use of Synopsys's Design Compiler? software, but the
25 letters sent by Ricoh to other Synopsys customers leads to the same conclusion—Ricoth's infringement
26 claim is focused exclusively on the customer's ordinary use of Synopsys's Design Compiler?
27 software. *See* Moller Decl., Exh. E:

28 "We are writing to you on behalf of Ricoh Company Ltd. because we are aware that your
company is involved with the design of custom ICs that include application specific designed

1 circuitry. We understand that in designing these circuits, you use a computer-aided design
2 system obtained from Synopsys, including Design Compiler.”

3 *Id.*

4 Recently, on August 29, 2003, Judge Sleet of the United States District Court for the District of
5 Delaware entered an order transferring the Delaware litigation to the Northern District of California.
6 (*See* Moller Decl., Exh. A at 5). Not surprisingly, Judge Sleet’s decision was based on, among other
7 things, his conclusion “that Ricoh’s infringement claims against the [Delaware] defendants are
8 fundamentally against the ordinary use of Synopsys’s Design Compiler.” *See id.*

9 Just a few weeks ago, this Court also concluded, in denying Ricoh’s motion to dismiss
10 Synopsys’s declaratory action, that Ricoh’s “claims against [Synopsys’s] customers are necessarily
11 allegations against the primary use of Design Compiler itself.” Moller Decl., Exh. F at 9:14-15.

12 Thus, as both this Court and the Delaware court have recognized, Ricoh has never identified
13 anything other than the ordinary use of Synopsys’s Design Compiler? software as a basis for claiming
14 infringement of its ‘432 patent. There is no question that Ricoh’s ‘432 patent infringement action
15 targets the ordinary use of Synopsys’s Design Compiler® software.

16 **IV. ARGUMENT**

17 **A. The Legal Standard for Granting Stays**

18 “[T]he power to stay proceedings is incidental to the power inherent in every court to control
19 the disposition of the causes on its docket with economy of time and effort for itself, for counsel, and
20 for litigants.” *Landis v. North American Co.*, 229 U.S. 248, 254 (1936):

21 A trial court may with propriety, find it efficient for its own docket and the fairest course for
22 the parties to enter a stay of an action before it, pending resolution of independent proceedings
23 which bear upon the case. This rule applies whether the separate proceedings are judicial,
24 administrative, arbitral in character, and does not require that the issues in such proceedings are
necessarily controlling of the action before the courts. In such cases the court may order a stay
of the action pursuant to its power to control its docket and calendar and to provide for a just
determination of the cases pending before it.

25 *Leyva v. Certified Grocers of California, Ltd.*, 593 F.2d 857, 864-65 (9th Cir.), *cert. denied*, 444 U.S.
26 827 (1979) (citations omitted).

1 The Ninth Circuit has recognized that the following competing interests should guide the
 2 district court's decision of whether to exercise its discretion and grant a stay of a pending action. *See*
 3 *CMAX, Inc. v. Hall*, 300 F.2d 265, 268 (9th Cir 1962); *see also Cohen v. Carreon*, 94 F. Supp. 112,
 4 115 (D. Or. 2000):

5 the possible damage which may result from the granting of a stay, the hardship or inequity
 6 which a party may suffer in being required to go forward, and the orderly course of justice
 7 measured in terms of the simplifying or complicating of issues, proof, and questions of law
 8 which could be expected from a stay.

9 *Accord, Rivers v. Walt Disney Co.*, 980 F. Supp. 1358, 1360 (C.D. Cal. 1997) ("When considering a
 10 motion to stay, the district court should consider three factors: (1) potential prejudice to the non-
 11 moving party; (2) hardship and inequity to the moving party if the action is not stayed; and (3) the
 12 judicial resources that would be saved by avoiding duplicative litigation if the cases are in fact
 13 consolidated.").

14 As demonstrated below, the competing interests identified by the Ninth Circuit will generally
 15 weigh heavily in favor of staying a patent infringement action brought by a patentee against a
 16 manufacturer's customers—i.e., a "customer suit"—pending the resolution of the manufacturer's
 17 declaratory judgment action based on that same patent.

18 **B. Customer Suits Should Be Stayed Pending The Resolution Of The Manufacturer's 19 Declaratory Judgment Action On The Same Patent**

20 The Federal Circuit has determined that "litigation against or brought by the manufacturer of
 21 infringing goods takes precedence over a suit by the patent owner against customers of the
 22 manufacturer." *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990). This preference is
 23 based on "the recognition that, in reality, the manufacturer is the true defendant in the customer suit
 24 [since] a manufacturer must protect its customers, either as a matter of contract, or good business, or in
 25 order to avoid an adverse ruling against its products." *Id.* (quoting *Codex Corp. v. Milgo Electronic*
 26 *Corp.*, 553 F.2d 735, 737-38 (1st Cir. 1977)). It is, therefore, within a district court's discretion to stay
 27 a patent infringement customer suit when there is a suit by the manufacturer that will resolve the major
 28 issues such as patent infringement and patent validity in that customer suit. *See Katz*, 909 F.2d at
 1464; *Refac International, Ltd., v. IBM*, 790 F.2d 79, 81, *aff'd on reconsideration in relevant part by*

798 F.2d 459 (Fed. Cir. 1986) (affirming stay of customer suit in favor of suit against manufacturer); *Whelen Technologies, Inc. v. Mill Specialties, Inc.*, 741 F. Supp. 715 (N.D. Ill. 1990) (staying customer suit pending outcome of manufacturer's suit); *ATSPI, Inc. v. Sharper Image, Inc.*, 677 F. Supp. 842 (W.D. Pa. 1988) (same).

In *Katz*, the Federal Circuit affirmed the district court's stay of a customer suit based on the manufacturer's representation that the resolution of the major issues such as patent infringement and patent validity in its own action would resolve these issues as to its customers. *See Katz*, 909 F.2d at 1464. The Federal Circuit recognized that the prosecution of the stayed action against the customers would be advanced if the patentee is successful against the manufacturer and may well be mooted if the patentee is unsuccessful. *See id.* The Federal Circuit, however, was not at all concerned by the fact that there may be additional issues involving the defendants in the stayed action. *See id.*

C. Ricoh's Customer Suit Should Be Stayed Pending The Resolution of Synopsys's Declaratory Judgment Action

Here, the Delaware court has already determined that Ricoh's action against the Delaware defendants is a customer suit and that this Court's "determination regarding infringement and validity of the '432 patent will efficiently dispose of the infringement issues regarding Synopsys's customers in this case." Moller Decl., Exh. A at 5. These conclusions were based on that court's finding that "Rico's infringement claims are fundamentally claims against the ordinary use of Synopsys's Design Compiler." *Id.* Similarly, this Court has also found that Ricoh's "claims against [Synopsys's] customers are necessarily allegations against the primary use of Design Compiler itself." Moller Decl., Exh. F at 9:14-15. Such findings are also evident from Ricoh's own statements in its pleadings, in discovery, in court, and to the defendants. *See e.g.*, Moller Decl., Exh. C at 6.

Like the suit against the manufacturer in *Katz*, therefore, Synopsys's declaratory judgment action is entitled to preference over Ricoh's action against the Delaware defendants. Specifically, Synopsys's declaratory judgment action's resolution of the common questions of whether the '432 patent is valid and infringed by the use of Synopsys's Design Compiler? software will advance Ricoh's infringement action if Ricoh is successful or will completely render that action against Synopsys's customers moot if Ricoh is unsuccessful. The Delaware court recognized this when it

1 decided to transfer Ricoh's infringement action to this district. *See* Moller Decl., Exh. A at 5.

2 Therefore, Ricoh's customer suit should be stayed pending the outcome of Synopsys's declaratory
3 judgment action.

4 For these same reasons, granting the instant motion to stay will not result in any prejudice to
5 Ricoh. Ricoh will have every opportunity to litigate issues central to both actions in Synopsys's
6 declaratory judgment action. Again, the Delaware court recognized this when it concluded that "based
7 on the outcome of the [declaratory judgment case], either Synopsys will prevail and use of the Design
8 Compiler? software will be determined to be non-infringing, or Ricoh will prevail, and Synopsys will
9 be forced to pay damages or license the patent." *Id.* Moreover, the Delaware defendants have all
10 agreed to be bound by the outcome of Synopsys's declaratory judgment action against Ricoh on issues
11 relating to Synopsys's Design Compiler® software, including whether the ordinary use of Design
12 Compiler® infringes the '432 patent and invalidity. *See* Moller Decl., ¶ 8. Thus, the requested stay
13 will not harm Ricoh.

14 Moreover, the Delaware defendants have already been forced to respond to a total of 11
15 interrogatories, 42 document requests, 20 requests for admissions, and 6 deposition notices to date.
16 *See* Moller Decl., ¶ 9. Ricoh will certainly continue seeking discovery in this action, thus, subjecting
17 the Delaware defendants to additional burdens and expense. All of this will also no doubt require
18 additional efforts by the Court and these six defendant customers and is completely unnecessary since
19 Synopsys's declaratory judgment action will likely render this action against Synopsys's customers'
20 moot. Thus, staying Ricoh's customer suit will certainly relieve all of the customer defendants of the
21 unwarranted hardship of defending against it.

22 Finally, staying Ricoh's action against the Delaware defendants will also yield significant
23 economies and efficiencies for the Court and avoid unnecessary hardship on these six customer
24 defendants. Specifically, as demonstrated by the evidence and the Delaware court's findings, the
25 Delaware defendants are superfluous to the determination of the central issues of validity and
26 infringement and add only unnecessary complexity to the present dispute between Ricoh and the true
27 defendant—Synopsys.

28

1 **V. CONCLUSION**

2 Both this Court and the Delaware court have determined that Ricoh's infringement action is
3 essentially against the ordinary use of Synopsys's Design Compiler? software by its customers. The
4 Delaware court has also determined that Synopsys's declaratory judgment action is entitled to
5 preference since this Court's determination will either advance or dispose of Ricoh's infringement
6 action. Staying Ricoh's customer suit will avoid duplicative litigation and the prejudice to these
7 customer defendants, and will in no way prejudice Ricoh. Moreover, staying the customer suit will
8 result in efficiencies for the Court as well. For all the foregoing reasons, therefore, Ricoh's action
9 against the Delaware defendants should be stayed pending the resolution of Synopsys's declaratory
10 judgment action.

11 Dated: November 7, 2003

Respectfully submitted,

12 HOWREY SIMON ARNOLD & WHITE, LLP
13

14 By: /s/
15 Thomas C. Mavrakakis
16 Attorneys for Defendants
17
18
19
20
21
22
23
24
25
26
27
28

1
2
3
4
5 UNITED STATES DISTRICT COURT
6 NORTHERN DISTRICT OF CALIFORNIA
7 SAN FRANCISCO DIVISION

8 RICOH COMPANY LTD.,

9 Plaintiffs,

10 vs.

11 AEROFLEX, INC., ET AL.,

12 Defendants.

) Case No. CV 03-04669 MJJ

)

) **[PROPOSED] ORDER GRANTING**
) **DEFENDANTS' MOTION TO STAY**
) **RICOH'S CUSTOMER SUIT**

)

) Date: December 16, 2003

) Time: 9:30 a.m.

) Ctrm: Courtroom 11, 19th Floor

)

13
14 This matter came before the Court on December 12, 2003 on motion by defendants Aeroflex
15 Incorporated ("Aeroflex"), AMI Semiconductor, Inc. ("AMI"), Matrox Electronic Systems Ltd.
16 ("Matrox"), Matrox Graphics Inc. ("Matrox Graphics"), Matrox International Corp. ("Matrox Int'l"),
17 and Matrox Tech, Inc. ("Matrox Tech") (collectively "Delaware defendants") seeking an order staying
18 plaintiff Ricoh Company, Ltd.'s ("Ricoh") patent infringement action against these customers of
19 Synopsys, Inc. ("Synopsys").

20 After consideration of the papers filed in support of the motion, any papers filed in opposition,
21 and any oral argument of counsel, the Court finds that:

22 1. This action is fundamentally one alleging that the Delaware defendants' ordinary use of
23 Synopsys' Design Compiler® infringes Ricoh's U.S. Patent No. 4,922,432, and Ricoh's claims against
24 Synopsys' customers are necessarily allegations against the use of Design Compiler®.

25 2. Synopsys has brought a declaratory judgment action against Ricoh in this Court seeking
26 a declaration that both the '432 patent and the related United States Patent No. 5,197,016 ("the '016
27 patent) are invalid and not infringed by the use of Synopsys' Design Compiler? software. *See*
28 *Synopsys, Inc. v. Ricoh Company, Ltd.*, Case No. CV 03-02289 MJJ.

1 3. Federal Circuit precedent requires that a manufacturer's declaratory judgment suit
2 should be given preference over a patentee's suit against the manufacturer's customers when those
3 customers are being sued for their ordinary use of the manufacturer's products. *See Katz v. Lear*
4 *Siegler, Inc.*, 909 F.2d 1459, 1464 (Fed. Cir. 1990).

5 4. Both this Court and the United States District Court for the District of Delaware have
6 found that Synopsys's declaratory judgment action should take precedence over Ricoh's patent
7 infringement action against Synopsys's customers. *See Exhibit E and F to Declaration of Erik K.*
8 *Moller In Support of Motion to Stay Ricoh's Customer Suit.*

9 5. A stay of this action would avoid unnecessary and duplicative litigation and limit any
10 prejudice to the Delaware defendants resulting from this unnecessary litigation.

11 6. Furthermore, a stay of this action would not lead to any prejudice to Ricoh since the
12 threshold issues of validity and infringement in the declaratory judgment action are precisely the same
13 as those in Ricoh's customer suit.

14 THEREFORE, IT IS ORDERED, ADJUDGED AND DECREED that this action is stayed
15 pending the resolution of *Synopsys, Inc. v. Ricoh Company, Ltd.*, Case No. CV 03-02289 MJJ,
16 currently before this Court.

17 Dated: _____, 2003

Hon. Martin J. Jenkins
Judge, United States District Court

19
20 Submitted November 7, 2003 by: Howrey Simon Arnold & White, LLP

21
22 By: _____

23 Erik K. Moller
24 301 Ravenswood Avenue
25 Menlo Park, CA 94025
26 Telephone: (650) 463-8100
27 Facsimile: (650) 463-8400
28 Attorneys for Defendants